



February 23, 2007

## SENATE BILL No. 577

DIGEST OF SB 577 (Updated February 20, 2007 12:50 pm - DI 73)

**Citations Affected:** IC 4-30; IC 5-10.3; IC 5-28; IC 6-3; IC 21-48; noncode.

**Synopsis:** Lottery. Authorizes the state lottery commission to enter into a management agreement with a private entity for the operation of the lottery. Provides that the management agreement must establish a benchmark amount of at least \$1,000,000,000 and must require the manager to make an initial payment to the Indiana finance authority on the effective date of the management agreement in an amount that exceeds the benchmark amount. Requires this initial payment to be deposited in the management agreement fund. Provides that within 30 days after a management agreement has been executed, the Indiana finance authority shall make the following transfers (after deducting expenses of the authority related to execution of the management agreement): (1) To the Hoosier hope scholarship fund, the lesser of \$400,000,000 or 40% of the money. (2) To the Indiana life sciences fund, the lesser of \$600,000,000 or 60% of the money. (3) To the pension relief fund, the remainder, if any, of the money after making the transfers to the Hoosier hope scholarship fund and the Indiana life sciences fund. Provides that if the amount that would be transferred to the pension relief fund exceeds \$300,000,000, the excess is transferred to the state general fund. Provides that the management agreement must require the manager to pay a royalty in the amount of \$50,000,000 to the state lottery commission four times each year. Requires these payments to be deposited in the administrative trust fund of the lottery. Specifies that the management agreement may require the manager to pay an additional royalty payment each year if the manager's gross revenues from the sale of lottery tickets in a year exceed the

(Continued next page)

**Effective:** Upon passage.

**Merritt, Kenley**

January 23, 2007, read first time and referred to Committee on Tax and Fiscal Policy.  
February 22, 2007, amended, reported favorably — Do Pass.

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commission's gross revenues from the sale of lottery tickets in the twelve months preceding the date of execution of the management agreement. Requires any payments received under such a provision to be deposited in the pension relief fund. Specifies that if the manager fails to make a payment by the due date of the payment, the management agreement is terminated. Specifies the provisions that must be included in a management agreement. Provides that a management agreement, or an interest in a management agreement, may not be sold, assigned, or otherwise transferred, or pledged as collateral to secure financing without the approval of the Indiana gaming commission. Prohibits a manager or person who has an interest in a manager from making a contribution to a candidate or certain committees during specified periods. Provides that on the effective date of the first management agreement, powers, duties, and liabilities of the state lottery commission are transferred to the Indiana gaming commission. Provides that if a management agreement is in effect, the Indiana gaming commission shall oversee the operation of the lottery and the state lottery commission shall serve as a resource group for the Indiana gaming commission. Provides that if a management agreement is in effect, the manager shall implement a security program as provided in the management agreement, and the Indiana gaming commission shall engage an independent firm experienced in security procedures to conduct a comprehensive study and evaluation of all aspects of security in the manager's lottery operations. Prohibits a person from selling, leasing, or providing certain equipment, supplies, or services to a manager unless the person holds a vendor's license. Establishes the Indiana life sciences fund to provide grants to postsecondary research institutions to support the recruitment and retention of world class scientists in Indiana. Specifies the criteria for awarding grants from the Indiana life sciences fund. Provides that a grant may not be made from the Indiana life sciences fund unless the grant has received a positive recommendation from a peer review panel. Establishes the Hoosier hope scholars program to provide scholarships for students who intend to pursue a course of study at an eligible institution of higher learning that will lead to a baccalaureate or associate degree and who intend to reside in Indiana and maintain qualified employment for specified periods. Establishes the critical employment needs program to provide nursing faculty scholarships, math and science teacher scholarships, and additional employment needs scholarships for certain students who intend to reside in Indiana and maintain qualified employment for specified periods.

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February 23, 2007

First Regular Session 115th General Assembly (2007)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2006 Regular Session of the General Assembly.

## SENATE BILL No. 577

A BILL FOR AN ACT to amend the Indiana Code concerning state offices and administration and to make an appropriation.

*Be it enacted by the General Assembly of the State of Indiana:*

1 SECTION 1. IC 4-30-1-1 IS AMENDED TO READ AS FOLLOWS  
2 [EFFECTIVE UPON PASSAGE]: Sec. 1. The purpose of this article is  
3 to establish lottery games in Indiana that are the best available and that  
4 enable the people of Indiana to benefit from significant additional  
5 money:

6 (1) to encourage outstanding Indiana students to pursue  
7 higher education opportunities within Indiana and to enter  
8 Indiana's workforce after graduation;

9 (2) to accelerate Indiana's growth by providing grants to state  
10 educational institutions to support the recruitment and  
11 retention of world class scientists; and

12 (3) for capital improvements.

13 SECTION 2. IC 4-30-1-2 IS AMENDED TO READ AS FOLLOWS  
14 [EFFECTIVE UPON PASSAGE]: Sec. 2. In construing this article, it  
15 is the intent of the general assembly that the following policies be  
16 carried out:

17 (1) That the lottery games be operated ~~by~~ **as provided in this**

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1 **article.**

2 **(2) That** the state lottery commission ~~which~~ is created by  
3 IC 4-30-3 as a separate body politic and corporate from state  
4 government ~~and~~ should function as much as possible as an  
5 entrepreneurial business enterprise.

6 ~~(2)~~ **(3)** That the general assembly recognizes that the operation of  
7 a lottery is a unique activity for state government and that policies  
8 and procedures appropriate for the performance of other  
9 governmental functions are not necessarily appropriate for the  
10 operation of a lottery.

11 ~~(3)~~ **(4)** That the lottery games be operated as a self-supporting  
12 revenue raising operation.

13 ~~(4)~~ **(5)** That the commission be accountable to the general  
14 assembly and the people of Indiana through a system of audits and  
15 reports and by complying with financial disclosure, open  
16 meetings, and public record laws.

17 ~~(5)~~ **(6)** That the commission ensure the equitable participation of  
18 minorities and women in all phases of the lottery, including  
19 instant game and online retailers and vendors. The commission  
20 shall establish annual goals:

21 (A) for the use of minority and women's business enterprises  
22 (as defined in IC 4-13-16.5-1 and IC 4-13-16.5-1.3) in  
23 construction, professional services, other services, and  
24 supplies; and

25 (B) derived from a statistical analysis of utilization study of  
26 lottery contracts that are required to be updated every five (5)  
27 years.

28 The commission shall, in cooperation with the Indiana department  
29 of administration, adopt rules under IC 4-22-2 to ensure that the  
30 goals set under this subdivision are met. **A rule adopted under  
31 this subdivision continues to apply if a management  
32 agreement is in effect.**

33 ~~(6)~~ **(7)** That lottery game advertising and promotion shall be  
34 consistent with the dignity and integrity of the state.

35 SECTION 3. IC 4-30-2-2 IS AMENDED TO READ AS FOLLOWS  
36 [EFFECTIVE UPON PASSAGE]: Sec. 2. "Commission" refers to:

37 **(1)** the state lottery commission; **or**

38 **(2)** a successor agency, unless the context clearly denotes  
39 otherwise.

40 SECTION 4. IC 4-30-2-3 IS AMENDED TO READ AS FOLLOWS  
41 [EFFECTIVE UPON PASSAGE]: Sec. 3. "Director" refers to the  
42 director of the commission **or the executive director of a successor**

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agency.

SECTION 5. IC 4-30-2-3.2 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 3.2. "Gaming commission" means the Indiana gaming commission established under IC 4-33-3.**

SECTION 6. IC 4-30-2-5.3 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 5.3. "Management agreement" means an agreement under which a manager will manage the lottery on behalf of the commission.**

SECTION 7. IC 4-30-2-5.5 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 5.5. "Manager" means an entity formed under IC 4-30-20 that has entered into a management agreement.**

SECTION 8. IC 4-30-2-7 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 7. "Retailer" means a person who sells lottery tickets on behalf of the commission under a contract with the commission or a manager.**

SECTION 9. IC 4-30-2-8 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 8. "Vendor" means a person who provides or proposes to provide goods or services to the commission or a manager. The term does not include an employee of the commission, a manager, a retailer, or a state agency.**

SECTION 10. IC 4-30-2-9 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 9. "Video lottery game" means an electronically simulated game of chance that is displayed on the screen or video monitor of a video lottery terminal.**

SECTION 11. IC 4-30-3-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 1. There is created a state lottery commission as a body politic and corporate separate from the state. The commission is composed of five (5) members selected as provided in IC 4-30-4. The commission has the powers and duties set forth in this article, including the authority to sue and be sued in the name of the commission and to adopt a commission seal and symbol. The commission shall supervise and administer the operation of the Indiana state lottery in accordance with this article.**

SECTION 12. IC 4-30-3-4 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 4. The commission shall maintain, or require a manager to maintain, weekly or more frequent records of lottery transactions, including the distribution of tickets to retailers, revenue received, claims for prizes, prizes paid, and**

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other financial transactions of the ~~commission~~ **lottery**.

SECTION 13. IC 4-30-3-6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 6. The commission shall conduct, **or require a manager to conduct**, market research as necessary or appropriate, which may include an analysis of the demographic characteristics of the players of each lottery game and an analysis of advertising, promotion, public relations, incentives, and other aspects of communications.

SECTION 14. IC 4-30-3-7.5 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 7.5. (a) Except as expressly provided in this article:**

**(1) a rule adopted by the state lottery commission before the effective date of the first management agreement; and**

**(2) a provision in this article that requires the commission to adopt rules;**

**do not apply if a management agreement is in effect.**

**(b) Notwithstanding subsection (a), 65 IAC 1-2 regarding access to public records remains in effect after the effective date of a management agreement until superceded or repealed by a rule adopted by the gaming commission.**

SECTION 15. IC 4-30-3-8 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 8. (a) The commission may:

**(1) promote and advertise the lottery; or**

**(2) authorize a manager to promote and advertise the lottery.**

(b) A promotion may refer to the total lottery prize, even though the prize may be paid over a period of years.

(c) The commission may:

**(1) act as a retailer and conduct promotions involving the dispensing of free lottery tickets; or**

**(2) authorize a manager to act as a retailer and conduct promotions involving the dispensing of free tickets.**

(d) The director may:

**(1) authorize a sales incentive program for employees of the commission for the purpose of increasing the sales volume and distribution of lottery tickets; or**

**(2) authorize a manager to develop a sales incentive program for:**

**(A) retailers;**

**(B) employees of the manager; or**

**(C) both retailers and employees of the manager;**

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for the purpose of increasing the sales volume and distribution of lottery tickets.

SECTION 16. IC 4-30-3-15 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 15. The commission may:

(1) charge fees; or

(2) authorize a manager to charge fees;

to persons applying for a contract as a vendor or retailer. The fees must be reasonably calculated to cover the costs of investigations and other activities related to the processing of the application.

SECTION 17. IC 4-30-3-17 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 17. The commission may:

(1) enter into contracts; or

(2) authorize a manager to enter into contracts;

with retailers under this article to provide adequate and convenient availability of tickets to the public for each game.

SECTION 18. IC 4-30-3-20 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 20. (a) This section applies only to contributions made after May 31, 2007.

(b) The definitions set forth in IC 3-5-2 apply to this section.

(c) As used in this section, "candidate" refers only to the following:

(1) A candidate for a state office.

(2) A candidate for a legislative office.

(3) A candidate for a local office.

(d) As used in this section, "committee" refers to any of the following:

(1) A candidate's committee.

(2) A regular party committee.

(3) A committee organized by a legislative caucus of the house of the general assembly.

(4) A committee organized by a legislative caucus of the senate of the general assembly.

(e) As used in this section, "officer" refers only to either of the following:

(1) An individual listed as an officer of a corporation in the corporation's most recent annual report.

(2) An individual who is a successor to an individual described in subdivision (1).

(f) For purposes of this section, a person is considered to have

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an interest in a manager if the person satisfies any of the following:

- (1) The person holds at least a one percent (1%) interest in the manager.
- (2) The person is an officer of the manager.
- (3) The person is an officer of a person that holds at least a one percent (1%) interest in the manager.
- (4) The person is a political action committee of the manager.

(g) A manager is considered to have made a contribution under this section if a contribution is made by a person who has an interest in the manager.

(h) A manager or person who has an interest in a manager may not make a contribution to a candidate or a committee during the following periods:

- (1) The term during which a manager is a party to a management agreement entered into under this article.
- (2) The three (3) years following the final expiration or termination of the management agreement described in subdivision (1).

(i) A person who knowingly or intentionally violates this section commits a Class D felony.

SECTION 19. IC 4-30-3-21 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 21. (a) On the effective date of the first management agreement entered into under this article, the following apply:**

- (1) All powers, duties, and liabilities of the state lottery commission are transferred to the gaming commission as the successor agency, except as otherwise provided in this article.
- (2) All records and property of the state lottery commission, including appropriations and other funds under its control or supervision, are transferred to the gaming commission as the successor agency, except as otherwise provided in this article.
- (3) An amount owed to the state lottery commission before the effective date of the management agreement must be paid to and collected by the gaming commission as the successor agency, except as otherwise provided in the first management agreement.
- (4) A reference to the state lottery commission in a statute, rule, or other document is considered a reference to the gaming commission as the successor agency, unless the context clearly denotes otherwise.

(b) As the successor agency, the gaming commission may

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1 employ investigators and other staff necessary to carry out this  
 2 article. The employees hired by the gaming commission under this  
 3 article may be the same as the gaming commission's employees  
 4 hired under IC 4-33.

5 (c) The gaming commission may exercise any of its powers  
 6 under this article or IC 4-33 as necessary or desirable for the  
 7 performance of the gaming commission's duties and the execution  
 8 of the gaming commission's powers under this article.

9 SECTION 20. IC 4-30-4-6 IS AMENDED TO READ AS  
 10 FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 6. (a) **Except as**  
 11 **provided in subsection (b), the state lottery** commission shall oversee  
 12 the operation of the lottery and serve as a resource group for the  
 13 director, providing the director with private sector perspectives on the  
 14 operation of a large marketing enterprise.

15 (b) **If a management agreement is in effect, the gaming**  
 16 **commission shall oversee the operation of the lottery, and the state**  
 17 **lottery commission shall serve as a resource group for the**  
 18 **executive director, providing the executive director of the gaming**  
 19 **commission with expertise in lottery operations and private sector**  
 20 **perspectives on the operation of a large marketing enterprise.**

21 SECTION 21. IC 4-30-4-7 IS AMENDED TO READ AS  
 22 FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 7. The **state lottery**  
 23 commission, or a member of the **state lottery** commission may advise  
 24 the director and make recommendations regarding operations of the  
 25 lottery and identify potential improvements in this article and in the  
 26 management of the lottery.

27 SECTION 22. IC 4-30-6-4 IS AMENDED TO READ AS  
 28 FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 4. The ~~division of~~  
 29 ~~security~~ **commission** shall conduct investigations of vendors, retailers,  
 30 and employees of the commission, **or a manager**, including applicants  
 31 for contracts or employment, necessary to ensure the security and  
 32 integrity of the operation of the lottery. The commission may require  
 33 persons subject to an investigation to provide any information,  
 34 including fingerprints, that is needed by the state police department to  
 35 carry out the investigation or that is otherwise necessary to facilitate  
 36 access to state and criminal history information.

37 SECTION 23. IC 4-30-6-5 IS AMENDED TO READ AS  
 38 FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 5. (a) The state  
 39 police department shall provide:

- 40 (1) assistance in obtaining criminal history information relevant  
 41 to investigations required for honest, secure, exemplary lottery  
 42 operations; and

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(2) any other assistance that may be requested by the ~~director~~ **commission** and agreed to by the superintendent of the state police department.

(b) Any other state agency, including the department of state revenue and the professional licensing agency, shall upon request provide the ~~lottery~~ commission with information relevant to an investigation conducted under this article. The commission shall reimburse an agency for the actual cost of providing assistance under this section.

SECTION 24. IC 4-30-6-6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 6. The division of security shall supervise ticket validation and lottery drawings **if a management agreement is not in effect.**

SECTION 25. IC 4-30-6-7 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 7. **(a) This section does not apply if the commission enters into a management agreement.**

~~(a)~~ **(b)** After the first full year of ticket sales to the public or sooner if the director considers necessary, the commission shall engage an independent firm experienced in security procedures, including computer security and systems security, to conduct a comprehensive study and evaluation of all aspects of security in the operation of the division of security.

~~(b)~~ **(c)** The part of the security report containing the overall evaluation of the commission shall be presented to the commission and the governor. Any part of the security report containing information protected from disclosure by IC 5-14-3 shall not be disclosed by the commission or by the governor.

~~(c)~~ **(d)** After the initial security study, similar studies of security shall be conducted as the commission determines to be appropriate but at least once every two (2) years.

SECTION 26. IC 4-30-6-8 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 8. **(a) If the commission enters into a management agreement, the manager shall implement a security program as provided in the management agreement.**

**(b) After the first anniversary of the effective date of a management agreement, or sooner if the director considers necessary, the commission shall engage an independent firm experienced in security procedures, including computer security and systems security, to conduct a comprehensive study and evaluation of all aspects of security in the manager's lottery**

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operations.

(c) The part of the security report containing the overall evaluation of the manager shall be presented to the commission and the governor. Any part of the security report containing information protected from disclosure by IC 5-14-3 shall not be disclosed by the commission or by the governor.

(d) After the security study described in subsection (b), similar studies of security shall be conducted as the commission determines to be appropriate but at least once every two (2) years.

SECTION 27. IC 4-30-7-3 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 3. (a) This section applies to retailer contracts after the effective date of a management agreement.

(b) If:

(1) an application of an applicant to become a retailer for any type of lottery game is denied;

(2) an application to renew a retailer contract is denied;

(3) an application to change ownership or location is denied;

or

(4) the certificate of authority of a retailer is revoked;

by the manager, the retailer or applicant may appeal the decision under rules established by the commission. A decision by the commission or a manager with respect to a retailer contract is not subject to IC 4-21.5.

(c) This section does not prohibit a retailer from continuing to perform under a retailer contract while an appeal is pending. The manager may not delay payment to a retailer of undisputed amounts as a result of the filing of an appeal under rules established by the commission. However, this right to continue to operate does not apply to a retailer if the commission declares in a decision that an emergency exists that requires the immediate termination of the contract and certificate.

SECTION 28. IC 4-30-8-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 1. (a) The commission may enter into contracts for the purchase, lease, or lease-purchase of goods or services necessary to carry out this article. The commission may ~~not contract with any person or entity for the total operation and administration of the lottery established by this article;~~ but may enter into contracts and make purchases that integrate functions such as lottery game design, supply of goods and services, and advertisement.

(b) The commission may authorize a manager to:

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(1) enter into contracts for the purchase, lease, or lease-purchase of goods or services necessary to carry out this article; and

(2) enter into contracts and make purchases that integrate functions, such as lottery game design, supply of goods and services, and advertisement.

Contracts and purchases under this subsection are not subject to IC 5-22.

(b)(c) In all procurement decisions, the director, or the commission, if the commission chooses to make the decision, **or a manager, if authorized by the commission**, shall take into account the particularly sensitive nature of the lottery and shall consider the competence, quality of product, experience, and timely performance of the vendors in order to promote and ensure security, honesty, fairness, and integrity in the operation and administration of the lottery and the objective of raising net revenues for the benefit of the public purposes described in this article.

SECTION 29. IC 4-30-8-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 2. The ~~division of security~~ **commission** shall investigate the financial responsibility, security, and integrity of a person who submits a bid, proposal, or offer as part of a major procurement. At a minimum, each person must disclose at the time of submitting a bid, proposal, or offer to the commission **or a manager** all of the following items:

(1) A disclosure of the vendor's name and address and the names and addresses of the following:

(A) If the vendor is a corporation, the officers, directors, and each stockholder in the corporation, except that in the case of owners of equity securities of a publicly traded corporation only the names and addresses of those known to the corporation to own beneficially at least five percent (5%) in equity securities need be disclosed.

(B) If the vendor is a trust, the trustees and all persons entitled to receive income or benefits from the trust.

(C) If the vendor is an association, the members, officers, and directors.

(D) If the vendor is a partnership or joint venture, all of the general partners, limited partners, or joint venturers.

(2) A disclosure of all the states and jurisdictions in which the vendor does business and the nature of that business for each state or jurisdiction.

(3) A disclosure of all the states and jurisdictions in which the

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1 vendor has contracts to supply gaming goods or services,  
 2 including lottery goods and services, and of the nature of the  
 3 goods and services involved for each state or jurisdiction.

4 (4) A disclosure of all the states and jurisdictions in which the  
 5 vendor has applied for, has sought renewal of, has received, has  
 6 been denied, has pending, or has had revoked or terminated a  
 7 gaming license or contract of any kind and of the disposition in  
 8 each state or jurisdiction. If a gaming license or contract has been  
 9 revoked or terminated or has not been renewed or a gaming  
 10 license application or contract bid has been either denied or is  
 11 pending and has remained pending for more than six (6) months,  
 12 all of the facts and circumstances underlying this failure to  
 13 receive a license or contract must be disclosed.

14 (5) A tax clearance statement from the department of state  
 15 revenue certifying that the vendor is not on the most recent tax  
 16 warrant list.

17 (6) A disclosure of the details of a conviction or judgment of a  
 18 state or federal court of the vendor of a felony or any other  
 19 criminal offense other than a traffic violation.

20 (7) A disclosure of the details of a bankruptcy, an insolvency, a  
 21 reorganization, or any pending litigation of the vendor.

22 (8) If a vendor subcontracts part of the work to be performed, the  
 23 vendor shall disclose all the information required by this chapter  
 24 for the subcontractor as if the subcontractor were a vendor.

25 (9) Additional disclosures and information the commission  
 26 determines appropriate for the procurement involved.

27 SECTION 30. IC 4-30-8-3 IS AMENDED TO READ AS  
 28 FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 3. A contract for a  
 29 major procurement with a vendor that does not comply with the  
 30 disclosure requirements described in section 2 of this chapter may not  
 31 be entered into and is not enforceable. A contract with a vendor who  
 32 does not comply with the requirements for periodically updating the  
 33 disclosures during the tenure of the contract as specified in the contract  
 34 may be terminated by the commission **or by the manager**. This section  
 35 shall be construed broadly and liberally to achieve full disclosure of all  
 36 information necessary to allow for a full and complete evaluation by  
 37 the commission of the competence, integrity, background, and  
 38 character of vendors for major procurement.

39 SECTION 31. IC 4-30-8.5 IS ADDED TO THE INDIANA CODE  
 40 AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE  
 41 UPON PASSAGE]:

42 **Chapter 8.5. Licensing of Lottery Vendors**

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1       Sec. 1. This chapter applies to a major procurement if a  
2 management agreement is in effect.

3       Sec. 2. As used in this chapter, "licensed vendor" means a  
4 person issued a vendor's license under this chapter.

5       Sec. 3. As used in this chapter, "vendor's license" means a  
6 license issued by the commission under this chapter.

7       Sec. 4. (a) A person may not sell, lease, provide, or contract to  
8 sell, lease, or provide any of the following equipment, supplies, or  
9 services to a manager unless the person holds a vendor's license:

10       (1) Printing of tickets to be used in a lottery game.

11       (2) Consultation services related to the design or operation of  
12 games offered in the lottery.

13       (3) Any goods and services involving any of the following:

14       (A) The official recording for lottery game play purposes  
15 of a player's selection in a lottery game involving player  
16 selections.

17       (B) The receiving of a player's selections directly from a  
18 player in a lottery game involving player selections.

19       (C) The drawing, determination, or generation of winners  
20 in lottery games.

21       (D) The security services required for the operation of the  
22 lottery.

23       (b) Lottery supplies and equipment may not be distributed  
24 unless the lottery supplies and equipment conform to standards  
25 approved by the director under this chapter.

26       (c) A person is not required to hold a vendor's license to:

27       (1) enter into a retailer contract; or

28       (2) receive a certificate of authority as a retailer;

29 under IC 4-30-9.

30       Sec. 5. The commission may issue a vendor's license under this  
31 chapter to a person if:

32       (1) the person has:

33       (A) applied for the vendor's license;

34       (B) paid a nonrefundable application fee set by the  
35 commission;

36       (C) paid an annual license fee set by the commission; and

37       (D) submitted the following on forms provided by the  
38 commission:

39       (i) if the applicant is an individual, two (2) sets of the  
40 individual's fingerprints; and

41       (ii) if the applicant is not an individual, two (2) sets of  
42 fingerprints for each officer of the applicant; and

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(2) the commission has determined that the applicant is eligible for a vendor's license.

**Sec. 6. A person may not receive a vendor's license if:**

(1) the person has been convicted of a felony under Indiana law, the laws of any other state, or laws of the United States;

(2) the person has knowingly or intentionally submitted an application for a license under this chapter that contains false information;

(3) the person is a member of the state lottery commission or the gaming commission;

(4) the person is an officer, a director, or a managerial employee of a person described in subdivision (1) or (2);

(5) the person employs an individual who:

(A) is described in subdivision (1), (2), or (3); and

(B) participates in the management or operation of the lottery; or

(6) a license issued to the person:

(A) under this article or IC 4-33; or

(B) to supply gaming supplies in another jurisdiction; has been revoked.

**Sec. 7. The following information submitted, collected, or gathered as part of an application to the commission for a vendor's license is confidential for purposes of IC 5-14-3-4:**

(1) Any information concerning a minor child of an applicant.

(2) The Social Security number of an applicant or the spouse of an applicant.

(3) The home telephone number of an applicant or the spouse of an applicant.

(4) An applicant's birth certificate.

(5) An applicant's driver's license number.

(6) The name or address of a previous spouse of the applicant.

(7) The date of birth of an applicant or the spouse of an applicant.

(8) The place of birth of an applicant or the spouse of an applicant.

(9) The personal financial records of an applicant, the spouse of an applicant, or a minor child of an applicant.

**Sec. 8. (a) A licensed vendor shall furnish to the commission a list of all equipment, devices, supplies, and services provided to a manager in connection with the lottery authorized under this article.**

**(b) A licensed vendor shall keep books and records for the**

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1 furnishing of equipment, devices, supplies, and services to the  
 2 lottery separate from books and records of any other business  
 3 operated by the licensed vendor.

4 (c) A licensed vendor shall file a quarterly return with the  
 5 commission and the manager listing all sales and leases.

6 Sec. 9. A licensed vendor's equipment, devices, or supplies that  
 7 are used by a person in an unauthorized gambling or lottery  
 8 operation shall be forfeited to the state.

9 Sec. 10. (a) Unless a person's vendor's license is suspended,  
 10 expires, or is revoked, the vendor's license may be renewed  
 11 annually upon:

12 (1) the payment of an annual renewal fee set by the  
 13 commission; and

14 (2) a determination by the commission that the licensed  
 15 vendor is in compliance with this article.

16 (b) The holder of a vendor's license shall undergo a complete  
 17 investigation every three (3) years to determine that the licensed  
 18 vendor is in compliance with this article.

19 (c) Notwithstanding subsection (b), the commission may  
 20 investigate the holder of a vendor's license at any time the  
 21 commission determines it is necessary to ensure that the licensed  
 22 vendor is in compliance with this article.

23 (d) The holder of a vendor's license shall bear the cost of an  
 24 investigation or reinvestigation of the licensed vendor and any  
 25 investigation resulting from a potential transfer of ownership.

26 Sec. 11. If a licensed vendor or an employee of a licensed vendor  
 27 violates this article or engages in a fraudulent act, the commission  
 28 may do any combination of the following:

29 (1) Suspend, revoke, or restrict the person's vendor's license.

30 (2) Require the removal of any employee of a licensed vendor  
 31 who violates this article or engages in a fraudulent act.

32 (3) Impose a civil penalty of not more than twenty-five  
 33 thousand dollars (\$25,000) against a person who has been  
 34 issued a vendor's license for each violation of this article.

35 Sec. 12. The commission shall adopt rules to implement this  
 36 chapter.

37 SECTION 32. IC 4-30-9-1 IS AMENDED TO READ AS  
 38 FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 1. (a) The  
 39 commission shall adopt rules under IC 4-22-2 specifying the terms and  
 40 conditions for contracting with retailers who will best serve the public  
 41 interest and promote the sale of lottery tickets.

42 (b) If a management agreement is in effect, the gaming

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1 **commission shall adopt rules governing retailer operations and**  
 2 **retailer claims and appeals. IC 5-22 does not apply to the selection**  
 3 **of retailers if a management agreement is in effect.**

4 SECTION 33. IC 4-30-9-2 IS AMENDED TO READ AS  
 5 FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 2. (a) In the  
 6 selection of retailers, the commission **or a manager** shall consider  
 7 factors such as the following:

- 8 (1) Financial responsibility.
- 9 (2) Integrity.
- 10 (3) Reputation.
- 11 (4) Accessibility of the place of business or activity to the public.
- 12 (5) Security of the premises.
- 13 (6) The sufficiency of existing retailers to serve the public.
- 14 (7) Convenience.
- 15 (8) The projected volume of sales for the lottery game involved.

16 (b) In consideration of the factors in subsection (a), the commission,  
 17 **or a manager if a management agreement is in effect**, may require  
 18 the information it considers necessary of any person proposing to enter  
 19 into a retailer's contract. However, the commission may not:

- 20 (1) establish a limitation on the number of retailers; ~~and~~ **or**
- 21 (2) **permit a manager to establish a limitation on the number**  
 22 **of retailers.**

23 **The commission or manager** shall make every effort to include small  
 24 business participation as retailers. Retailer selections shall be based on  
 25 business considerations and public convenience. Retailers shall be  
 26 selected without regard to political affiliation.

27 SECTION 34. IC 4-30-9-3 IS AMENDED TO READ AS  
 28 FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 3. (a) The  
 29 commission may not contract with a person as a retailer that:

- 30 (1) is less than eighteen (18) years of age;
- 31 (2) is engaged exclusively in the business of selling lottery tickets,  
 32 although this **subsection** does not preclude the commission **or a**  
 33 **manager** from selling lottery tickets;
- 34 (3) is on the most recent tax warrant list provided to the  
 35 commission **or a manager** by the department of state revenue;
- 36 (4) has been convicted of, or entered a plea of guilty or nolo  
 37 contendere to, a felony committed in the preceding ten (10) years,  
 38 regardless of adjudication, unless the commission determines  
 39 that:
- 40 (A) the person has been pardoned or the person's civil rights  
 41 have been restored;
- 42 (B) subsequent to the conviction or entry of the plea the person

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has engaged in the kind of law abiding commerce and good citizenship that would reflect well upon the integrity of the lottery; or

(C) if the person is a firm, an association, a partnership, a trust, a corporation, a limited liability company, or other entity, the person has terminated its relationship with the individual whose actions directly contributed to the person's conviction or entry of the plea; or

(5) is:

(A) a department, an agency, a commission, a division, an authority, a board, a bureau, a hospital, or an office of the state, including a state institution of postsecondary education;

(B) an entity that performs an essential governmental function;

(C) part of the judicial department of government;

(D) part of the legislative department of government; or

(E) a political subdivision of the state, including an agency, an authority, a board, a bureau, a commission, a committee, a council, a department, a division, an institution, an office, an officer, or other similar body of a political subdivision.

**(b) The commission may not authorize a manager to enter into a retailer's contract with a person described in subsection (a).**

SECTION 35. IC 4-30-9-4 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 4. **(a)** The commission shall issue a certificate of authority to each ~~person with whom it contracts~~ as a retailer for purposes of display under section 6 of this chapter. The issuance of a certificate does not confer upon the retailer any right apart from that specifically granted in the contract. The authority to act as a retailer is not assignable or transferable.

**(b) The commission may authorize a manager to issue a certificate described in subsection (a) if a management agreement is in effect.**

SECTION 36. IC 4-30-9-5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 5. A contract executed by the commission **or a manager** under this chapter must specify the reasons for a suspension or termination of the contract, ~~by the commission~~, including the following:

(1) Commission of a violation **of this article** or **of a rule** adopted under this article.

(2) Failure to accurately account for lottery tickets, revenues, or prizes as required by the ~~commission~~: **contract**.

(3) Commission of a fraud, deceit, or misrepresentation.

(4) Insufficient sale of tickets.

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(5) Conduct prejudicial to public confidence in the lottery.

(6) A material change in a matter considered by the commission  
**or a manager** executing the contract with the retailer.

SECTION 37. IC 4-30-9-6 IS AMENDED TO READ AS  
FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 6. Each retailer  
shall post and keep conspicuously displayed in a location on the  
premises accessible to the public the following:

(1) Its certificate of authority.

(2) With respect to each game, a statement supplied by the  
commission **or a manager** of the estimated odds of winning a  
prize for the game.

SECTION 38. IC 4-30-9-7 IS AMENDED TO READ AS  
FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 7. Before the  
commission **or a manager** may enter into a contract with a retailer, the  
retailer must provide a tax clearance statement from the department of  
state revenue that certifies that the retailer does not owe delinquent  
state taxes.

SECTION 39. IC 4-30-9-8 IS AMENDED TO READ AS  
FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 8. A contract with  
a retailer may not authorize the sale of lottery tickets at more than one  
(1) location. The commission, **or the manager if a management  
agreement is in effect**, may enter into more than one (1) contract with  
a retailer that has more than one (1) business location. A retailer must  
have a separate certificate of authority to sell lottery tickets for each  
business location approved by the commission **or the manager**. A  
retailer may sell lottery tickets only at the location stated on the  
certificate of authority.

SECTION 40. IC 4-30-9-9 IS AMENDED TO READ AS  
FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 9. With respect to  
a retailer whose rental payments for premises are contractually  
computed in whole or in part on the basis of a percentage of retail sales,  
and where the computation of retail sales is not explicitly defined to  
include the sale of tickets in a lottery, for purposes of such a  
computation the amount of retail sales for lottery tickets by the retailer  
may not exceed the amount of the compensation received by the  
retailer from the commission **or a manager**.

SECTION 41. IC 4-30-9-14 IS AMENDED TO READ AS  
FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 14. A payment by  
a retailer to the commission **or a manager** for tickets may not be in  
cash. All payments must be in the form of a check, bank draft,  
electronic funds transfer, or other financial instrument ~~authorized by~~  
~~the director.~~ **specified by the commission or the manager if a**

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**management agreement is in effect.**

SECTION 42. IC 4-30-10-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 1. All money received by each retailer from the operation of the lottery, including all ticket sales, interest, gifts, and donations, less the amount retained as compensation for the sale of tickets and the amount paid out as prizes:

(1) shall be remitted to the commission or deposited in a public depository, at the times and as directed by the commission; **or**

**(2) if a management agreement is in effect, shall be remitted to the manager or deposited in a public depository in Indiana, at the times and as directed by the manager.**

The commission **or the manager, as the case may be**, is responsible for all administrative functions related to the receipt of funds ~~The commission and~~ may require each retailer to ~~file with the commission~~ **submit** reports of the retailer's receipts and transactions in the sale of lottery tickets in the form and containing the information ~~the commission requires~~ **required by the retailer's contract and by any rules adopted under this article.** The commission **or the manager** may require any person, including a qualified public depository, to perform any function, activity, or services in connection with the operation that the commission **or manager** determines to be advisable under this article. These functions, activities, or services constitute lawful functions, activities, and services of the person.

SECTION 43. IC 4-30-10-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 2. The commission **or a manager authorized by the commission** may require retailers to establish separate electronic funds transfer accounts for the purpose of receiving money from ticket sales, making payments to the commission **or manager**, and receiving payments from the commission **or manager, as the case may be.**

SECTION 44. IC 4-30-10-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 3. **(a)** Each retailer is liable to:

(1) the commission; **or**

**(2) a manager, if a management agreement is in effect;**

for any and all tickets accepted or generated by an employee or representative of that retailer. These tickets are considered to have been purchased by the retailer, unless returned to the commission **or manager** within the time and in the manner prescribed by the ~~commission~~ **retailer's contract or by a rule adopted under this article.**

**(b)** All money received by retailers from the sale of lottery tickets,

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less the amount retained as compensation for the sale of the tickets and the amount paid out as prizes by the retailer, shall be held in trust until its:

- (1) delivery to the commission **or a manager**; or
- (2) electronic transfer to the administrative trust fund.

SECTION 45. IC 4-30-11-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 2. **Notwithstanding IC 26-1-9.1-406**, the right of any person to a prize is not assignable. A prize may be paid to the estate of a deceased prize winner or to a person designated under an appropriate judicial order.

SECTION 46. IC 4-30-11-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 3. A prize may not be paid to a person who is less than eighteen (18) years of age unless the winning ticket was lawfully purchased and made a gift to the minor. In that case the commission shall:

- (1) direct the payment to an adult member of the minor's family or the legal guardian of the minor as custodian for the minor; **or**
- (2) **require a manager to direct the payment to an adult member of the minor's family or the legal guardian of the minor as custodian for the minor.**

The person named as guardian has the same powers and duties as prescribed for a guardian under Indiana guardianship law.

SECTION 47. IC 4-30-11-4 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 4. A prize may not be paid if it arises from tickets that are determined to be:

- (1) stolen, counterfeit, altered, fraudulent, unissued, produced or issued in error, or unreadable;
  - (2) not received or not recorded by:
    - (A) the commission's applicable deadlines; **or**
    - (B) **the manager's applicable deadlines, if a management agreement is in effect;**
  - (3) lacking in captions that confirm and agree with the lottery play symbols that are appropriate to the lottery game involved; or
  - (4) not in compliance with any additional specific rules and public or confidential validation and security tests of:
    - (A) the commission; **or**
    - (B) **the manager, if a management agreement is in effect;**
- applicable to the particular lottery game involved.

SECTION 48. IC 4-30-11-6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 6. For the convenience of the public, retailers may be authorized to pay winners an amount not to exceed five hundred ninety-nine dollars (\$599) after

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performing validation procedures on their premises that are required by:

(1) the commission; or

(2) the manager, if a management agreement is in effect;

for the lottery game involved.

SECTION 49. IC 4-30-11-7 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 7. Holders of lottery tickets are entitled to claim prizes for one hundred eighty (180) days after the drawing or at the end of the lottery game play in which the prize was won. ~~However, with respect to a game in which the player may determine instantly if the player has won or lost, the right to claim prizes exists for sixty (60) days after the end of the lottery game. If a valid claim is not made for a prize within the applicable period, the prize is considered an unclaimed prize for purposes of section 9 of this chapter.~~

SECTION 50. IC 4-30-11-8 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 8. A prize may not be paid on a ticket that is purchased or sold in violation of this article or to a person who is prohibited from purchasing a lottery ticket under this article. ~~Such a prize is considered an unclaimed prize for purposes of section 9 of this chapter.~~

SECTION 51. IC 4-30-11-10 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 10. (a) The state lottery commission ~~is~~ and its members and employees are discharged of all liability upon payment of a prize.

(b) If a management agreement is in effect:

(1) the gaming commission and its members and employees; and

(2) the manager and its directors, officers, employees, agents, and equity holders;

are discharged of all liability upon payment of a prize.

(c) If an annuity is purchased by a manager to cover the payment of a prize and is assigned to a prize winner, the following are relieved of any liability to the prize winner:

(1) The state.

(2) The gaming commission and its members and employees.

(3) The manager and its directors, officers, employees, agents, and equity holders.

SECTION 52. IC 4-30-11-11 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 11. (a) The treasurer of state, the department of state revenue, the department of administration, the Indiana department of transportation, the attorney

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1 general, and the courts shall identify to the commission, **or to the**  
 2 **manager, if a management agreement is in effect**, in the form and  
 3 format prescribed by the commission and approved by the auditor of  
 4 state, a person who:

- 5 (1) owes an outstanding debt ~~to~~ to a state agency;
- 6 (2) owes delinquent state taxes; or
- 7 (3) owes child support collected and paid to a recipient through  
 8 a court.

9 (b) Before the payment of a prize of more than five hundred  
 10 ninety-nine dollars (\$599) to a claimant identified under subsection (a),  
 11 the commission **or the manager, if a management agreement is in**  
 12 **effect**, shall transmit the prize money to the auditor of state who shall  
 13 authorize payment of the balance to the prize winner after deduction of  
 14 the obligation. If a prize winner owes multiple obligations subject to  
 15 offset under this section and the prize is insufficient to cover all  
 16 obligations, the amount of the prize shall be applied as follows:

- 17 (1) First, to the child support obligations owed by the prize winner  
 18 that are collected and paid to a recipient through a court.
- 19 (2) Second, to judgments owed by the prize winner.
- 20 (3) Third, to tax liens owed by the prize winner.
- 21 (4) Fourth, to unsecured debts owed by the prize winner.

22 Within each of the categories described in subdivisions (1) through (4),  
 23 the amount and priority of the prize shall be applied in the manner that  
 24 the auditor of state determines to be appropriate. The commission shall  
 25 reimburse the auditor of state pursuant to an agreement under  
 26 IC 4-30-15-5 for the expenses incurred by the auditor of state in  
 27 carrying out the duties required by this section. **If a management**  
 28 **agreement is in effect, the manager shall reimburse the auditor of**  
 29 **state for actual expenses incurred by the auditor of state in**  
 30 **carrying out the duties required by this section.**

31 (c) As used in this section, "debt" means an obligation that is  
 32 ~~evidence evidenced~~ by an assessment or lien issued by a state agency,  
 33 a judgment, or a final order of an administrative agency.

34 SECTION 53. IC 4-30-12-2 IS AMENDED TO READ AS  
 35 FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 2. **(a)** A member  
 36 or employee of the commission or a relative living in the same  
 37 household with a member or employee of the commission may not  
 38 purchase a lottery ticket.

39 **(b) A director, an officer, or an employee of a manager or a**  
 40 **relative living in the same household with a director, an officer, or**  
 41 **an employee of a manager may not purchase a lottery ticket.**

42 SECTION 54. IC 4-30-12-3 IS AMENDED TO READ AS

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FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 3. An officer or employee of a vendor that:

- (1) is providing major procurement goods or services to the commission **or a manager**; or
- (2) has executed a contract for a major procurement; or a relative living in the same household with an officer or employee of the vendor may not purchase a lottery ticket.

SECTION 55. IC 4-30-13-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 1. A person who knowingly:

- (1) sells a lottery ticket and is not authorized by the commission, **a manager**, or this article to engage in such a sale;
  - (2) sells a lottery ticket to a minor; or
  - (3) sells a lottery ticket at a price other than that established by the commission **or a manager**;
- commits a Class A misdemeanor.

SECTION 56. IC 4-30-14-5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 5. A person who uses point-of-sale material issued by the commission **or a manager** or otherwise represents that the person is a retailer without being under contract with the commission **or a manager** to act as a retailer commits a Class A misdemeanor.

SECTION 57. IC 4-30-15-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 1. There is created an administrative trust fund to be administered by the **state lottery** commission in accordance with this article **and any management agreement that is entered into under IC 4-30-21**. All money received by the **state lottery** commission shall be deposited into the fund. All money in the fund is continually appropriated to the **state lottery** commission for the purposes specified in this article.

SECTION 58. IC 4-30-16-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 1. **Subject to the terms of a management agreement**, the money in the administrative trust fund shall be used for the following:

- (1) To pay prizes.
- (2) To pay the expenses for the operation of the lottery, including setting aside an amount determined by the commission to be necessary for the cash flow needs of the commission. These expenses include all costs incurred in the operation and administration of the lottery and all costs resulting from any contracts entered into for the purchase or lease of goods and services required by the lottery, including the following:

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(A) The compensation paid to retailers.

(B) The costs of supplies, materials, tickets, independent audit services, independent studies, data transmission, advertising, promotion, incentives, public relations, communications, security, bonding for retailers, printing, distribution of tickets, and reimbursing other governmental entities for services provided to the lottery.

(C) The costs of any other goods and services necessary for carrying out this article.

(3) To make transfers of the revenue remaining after making the payments necessary under subdivisions (1) and (2) (referred to as "surplus revenue" in this article) to the treasurer of state for deposit as provided in this chapter.

SECTION 59. IC 4-30-16-3, AS AMENDED BY P.L.2-2006, SECTION 7, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 3. (a) **Subject to the terms of a management agreement**, the commission shall transfer the surplus revenue in the administrative trust fund as follows:

(1) Before the last business day of January, April, July, and October, the commission shall transfer to the treasurer of state, for deposit in the Indiana state teachers' retirement fund (IC 5-10.4-2), seven million five hundred thousand dollars (\$7,500,000). Notwithstanding any other law, including any appropriations law resulting from a budget bill (as defined in IC 4-12-1-2), the money transferred under this subdivision shall be set aside in the pension stabilization fund (IC 5-10.4-2-5) to be used as a credit against the unfunded accrued liability of the pre-1996 account (as defined in IC 5-10.4-1-12) of the Indiana state teachers' retirement fund. The money transferred is in addition to the appropriation needed to pay benefits for the state fiscal year.

(2) Before the last business day of January, April, July, and October, the commission shall transfer:

(A) two million five hundred thousand dollars (\$2,500,000) of the surplus revenue to the treasurer of state for deposit in the "k" portion of the pension relief fund (IC 5-10.3-11); and

(B) five million dollars (\$5,000,000) of the surplus revenue to the treasurer of state for deposit in the "m" portion of the pension relief fund (IC 5-10.3-11).

(3) The surplus revenue remaining in the fund on the last day of January, April, July, and October after the transfers under subdivisions (1) and (2) shall be transferred by the commission to

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the treasurer of state for deposit on that day in the build Indiana fund.

(b) **Subject to the terms of a management agreement**, the commission may make transfers to the treasurer of state more frequently than required by subsection (a). However, the number of transfers does not affect the amount that is required to be transferred for the purposes listed in subsection (a)(1) and (a)(2). Any amount transferred during the month in excess of the amount required to be transferred for the purposes listed in subsection (a)(1) and (a)(2) shall be transferred to the build Indiana fund.

SECTION 60. IC 4-30-18-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 1. This article does not authorize any lottery except the lottery operated **under this article**:

(1) by the commission; ~~under this article~~; or

(2) **on behalf of the commission by a manager under a management agreement.**

SECTION 61. IC 4-30-18-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 3. (a) Local governmental authority concerning all matters relating to the operation of a lottery are preempted by the state, and a county, municipality, or other political subdivision of the state may not enact an ordinance relating to the operation of the lottery authorized by this article. However, this section does not prohibit a political subdivision of the state from requiring a retailer to obtain an occupational license for any business unrelated to the sale of lottery tickets.

(b) **A county, municipality, or another political subdivision may not take any action that would have the effect of impairing a management agreement.**

SECTION 62. IC 4-30-19-5 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 5. (a) **If the commission enters into a management agreement under this article, the manager shall undergo an audit of the manager's annual financial statements under the terms of the management agreement.**

(b) **To ensure the integrity of the lottery and compliance with this article and the management agreement, the commission may require, at any time, a special audit of a manager to be conducted by an independent certified public accountant licensed in Indiana. The scope, procedures, and reporting requirements of the audit must be set forth in the management agreement.**

(c) **An audit required by or under this section must be prepared at the expense of the manager.**

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1 SECTION 63. IC 4-30-20 IS ADDED TO THE INDIANA CODE  
 2 AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE  
 3 UPON PASSAGE]:

4 **Chapter 20. Lottery Manager**

5 **Sec. 1.** The legislative intent for this chapter is to provide a  
 6 means for the formation of an entity to serve as a manager of the  
 7 lottery under a management agreement authorized under this  
 8 article.

9 **Sec. 2.** The purpose of an entity formed under this chapter is  
 10 limited to:

11 (1) entering into and performing a management agreement  
 12 under this article; and

13 (2) the activities incidental or related to the accomplishment  
 14 of the purposes permitted under subdivision (1).

15 **Sec. 3. (a)** One (1) or more persons may form an entity to serve  
 16 as a manager by filing articles of incorporation with the secretary  
 17 of state under IC 23-1. An entity formed under this subsection has  
 18 the powers and privileges of other corporations, except where  
 19 inconsistent with the provisions and purposes of this article.  
 20 IC 23-1 applies to an entity formed under this subsection to the  
 21 extent the provisions do not conflict with this article.

22 **(b)** One (1) or more persons may form an entity to serve as a  
 23 manager by filing articles of organization with the secretary of  
 24 state under IC 23-18. An entity formed under this subsection has  
 25 the powers and privileges of other limited liability companies and  
 26 is subject to the duties, restrictions, and liabilities of other limited  
 27 liability companies, except where inconsistent with the provisions  
 28 and purposes of this article. IC 23-18 applies to an entity formed  
 29 under this subsection to the extent the provisions do not conflict  
 30 with this article.

31 SECTION 64. IC 4-30-21 IS ADDED TO THE INDIANA CODE  
 32 AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE  
 33 UPON PASSAGE]:

34 **Chapter 21. Lottery Management Agreement**

35 **Sec. 1.** In construing this chapter, it is the intent of the general  
 36 assembly that the manager be accountable to the general assembly  
 37 and the people of Indiana through a system of audits and reports  
 38 and by complying with the financial disclosure requirements of this  
 39 chapter. The powers conferred by this chapter are in addition and  
 40 supplemental to the powers conferred by any other law. If any  
 41 other law or rule is inconsistent with this chapter, this chapter is  
 42 controlling as to any management agreement entered into under

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1 this chapter.

2 Sec. 2. (a) This chapter contains full and complete authority for  
3 a management agreement between the commission and an entity  
4 formed under IC 4-30-20. IC 5-22, IC 4-30-8, and any rules  
5 adopted under either of those provisions do not apply to a  
6 management agreement under this article, and except as provided  
7 in this chapter, no law, procedure, proceeding, publication, notice,  
8 consent, approval, order, or act by the commission, the Indiana  
9 finance authority, or any other officer, department, agency, or  
10 instrumentality of the state or any political subdivision is required  
11 for the commission to enter into a management agreement under  
12 this article.

13 (b) This chapter contains full and complete authority for the  
14 state lottery commission or a successor agency to approve any  
15 subcontracts entered into by a manager under the terms of a  
16 management agreement.

17 Sec. 3. As used in this chapter, "authority" means the Indiana  
18 finance authority established under IC 4-4-11.

19 Sec. 4. As used in this chapter, "commission" means the state  
20 lottery commission.

21 Sec. 5. As used in this chapter, "control" means the power to  
22 exercise authority over or to direct the management and policies  
23 of an individual, a business, or any other entity.

24 Sec. 6. As used in this chapter, "financial statement" means any  
25 of the following:

- 26 (1) Balance sheet.
- 27 (2) Income statement.
- 28 (3) Profit and loss statement.
- 29 (4) Statement of cash flow.
- 30 (5) Sources and uses of funds statements.
- 31 (6) Notes to financial statements.

32 Sec. 7. As used in this chapter, "offeror" means a person that  
33 responds to a request for qualifications under this chapter.

34 Sec. 8. As used in this chapter, "request for qualifications"  
35 means all materials and documents prepared by the commission or  
36 the authority on behalf of the commission to solicit the following  
37 from offerors:

- 38 (1) statements of qualifications; and
- 39 (2) proposals to enter into a management agreement.

40 Sec. 9. As used in this chapter, "selected offer" means the final  
41 offer of an offeror that is the preliminary selection of the authority  
42 to be the manager for the lottery under section 19 of this chapter.

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1       **Sec. 10. Subject to the other provisions of this chapter, the**  
 2       **commission may enter into a management agreement with a**  
 3       **manager for an initial term not to exceed thirty (30) years.**

4       **Sec. 11. The commission may not enter into a management**  
 5       **agreement that authorizes a manager to operate any of the**  
 6       **following games or a game simulating any of the following games:**

7               **(1) Keno.**

8               **(2) Video lottery games.**

9               **(3) Pari-mutuel wagering on horse or dog racing.**

10              **(4) A game in which winners are selected on the results of a**  
 11              **race or sporting event.**

12              **(5) Any other game commonly considered to be a form of**  
 13              **gambling that is not:**

14                      **(A) a game; or**

15                      **(B) a variation of a game;**

16              **that the commission has the authority to approve under this**  
 17              **article.**

18       **Sec. 12. (a) The management agreement must establish a**  
 19       **benchmark amount of at least one billion dollars (\$1,000,000,000).**  
 20       **The management agreement must require the manager to make an**  
 21       **initial payment to the authority on the effective date of the**  
 22       **management agreement in an amount that exceeds the benchmark**  
 23       **amount established in the management agreement.**

24              **(b) The initial payment required under subsection (a) shall be**  
 25       **deposited in the management agreement fund established by**  
 26       **IC 4-30-22.**

27              **(c) If the manager fails to make a payment under this section by**  
 28       **the due date of the payment, the management agreement is**  
 29       **terminated.**

30       **Sec. 13. (a) The management agreement must require the**  
 31       **manager to pay a royalty in the amount of fifty million dollars**  
 32       **(\$50,000,000) to the authority four (4) times each year beginning**  
 33       **on a date that is specified in the management agreement and that**  
 34       **occurs during the first year after the execution of the management**  
 35       **agreement. The payments received under this subsection shall be**  
 36       **deposited in the administrative trust fund established by**  
 37       **IC 4-30-15-1.**

38              **(b) The management agreement may require the manager to**  
 39       **pay an additional royalty payment each year to the commission**  
 40       **beginning on a date specified in the management agreement if the**  
 41       **manager's gross revenues from the sale of lottery tickets in a year**  
 42       **exceed the commission's gross revenues from the sale of lottery**

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1 tickets in the twelve (12) months preceding the date of execution of  
 2 the management agreement. The payments received under this  
 3 subsection shall be deposited in the pension relief fund established  
 4 by IC 5-10.3-11-1.

5 (c) If the manager fails to make a payment under this section by  
 6 the due date of the payment, the management agreement is  
 7 terminated.

8 **Sec. 14. A management agreement must address the following:**

9 (1) The original term of the management agreement.

10 (2) A requirement that the manager be formed under  
 11 IC 4-30-20.

12 (3) A requirement that the manager locate its principal office  
 13 within Indiana.

14 (4) The transition of rights and obligations from the  
 15 commission to the manager with respect to the operation of  
 16 the lottery, including:

17 (A) the right to use, or ownership of, equipment and other  
 18 assets used in the operation of the lottery; and

19 (B) the rights and obligations under contracts with  
 20 retailers and vendors.

21 (5) The implementation of a comprehensive security program  
 22 by the manager.

23 (6) The implementation of a comprehensive system of internal  
 24 audits.

25 (7) The implementation of a program by the manager to curb  
 26 compulsive gambling by persons playing the lottery.

27 (8) A system for determining the following:

28 (A) The type of lottery games to be conducted.

29 (B) The method of selecting winning tickets.

30 (C) The manner of payment of prizes to holders of winning  
 31 tickets.

32 (D) The frequency of drawings of winning tickets.

33 (E) The method to be used in selling tickets.

34 (9) A system for verifying the validity of tickets claimed to be  
 35 winning tickets.

36 (10) The basis upon which retailer fees are established by the  
 37 manager. Retailer fees may not be less than five percent (5%).

38 (11) Minimum payouts.

39 (12) A requirement that advertising and promotion be  
 40 consistent with the dignity and integrity of the state.

41 (13) The establishment of a code of ethics for officers and  
 42 employees of the manager.

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(14) Monitoring of the manager's practices by the commission and the taking of actions by the commission that it considers appropriate to ensure that the manager is in compliance with the terms of the management agreement.

(15) The requirement that the manager periodically file appropriate financial statements in a form and manner acceptable to the commission.

(16) Cash reserve requirements.

(17) Procedural requirements for obtaining approval by the commission when a management agreement, or an interest in a management agreement, is sold, assigned, or otherwise transferred, or pledged as collateral to secure financing. A management agreement, or an interest in a management agreement, may not be sold, assigned, or otherwise transferred, or pledged as collateral to secure financing without the approval of the commission.

(18) Grounds for termination of the management agreement by the commission or a manager.

(19) Procedures for amendment of the management agreement.

(20) A provision prohibiting the commission from entering into another management agreement under this article as long as the management agreement has not been terminated.

(21) The transition of rights and obligations, including any associated equipment or other assets used in the operation of the lottery, from the manager to any successor manager of the lottery, including the commission, following the termination of or foreclosure upon the management agreement.

(22) Ownership of all copyrights, trademarks, and service marks by the commission in the name of the state.

Sec. 15. (a) A manager shall undergo a complete investigation every three (3) years by the commission to determine that the manager remains in compliance with this article and the management agreement.

(b) The manager shall bear the cost of an investigation or reinvestigation of the manager.

Sec. 16. (a) Before the commission enters into a management agreement under this chapter, a request for qualifications must be issued as set forth in this chapter. A request for qualifications for a management agreement may be issued in one (1) or more phases.

(b) A request for qualifications must include the following:

(1) The factors or criteria that will be used in evaluating an

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offeror's statement of qualifications and proposal.

(2) A statement that a proposal must be accompanied by evidence of the offeror's financial responsibility.

(3) A statement concerning whether discussions may be conducted with the offerors for the purpose of clarification to ensure full understanding of and responsiveness to the solicitation requirements.

(4) A statement concerning any other information to be considered in evaluating the offeror's qualifications and proposal.

(c) Notice of a request for qualifications shall be published two (2) times in accordance with IC 5-3-1 at least one (1) week apart, with the second publication made at least seven (7) days before any initial submission is due.

(d) As provided in a request for qualifications, discussions may be conducted with the offerors for the purpose of clarification to ensure full understanding of and responsiveness to the solicitation requirements.

Sec. 17. (a) The authority may not disclose the contents of proposals during discussions or negotiations with eligible offerors.

(b) The authority may, in its discretion in accordance with IC 5-14-3, treat as confidential all records relating to discussions or negotiations between the authority and eligible offerors if those records are created while discussions or negotiations are in progress.

(c) Notwithstanding subsections (a) and (b), and with the exception of parts that are confidential under IC 5-14-3, the terms of the selected offer negotiated under this article shall be available for inspection and copying under IC 5-14-3 after negotiations with the offerors have been completed.

(d) When disclosing the terms of the selected offer under subsection (c), the authority shall certify that the information being disclosed accurately and completely represents the terms of the selected offer.

(e) The authority shall disclose the contents of all proposals, except the parts of any proposal that may be treated as confidential in accordance with IC 5-14-3, when either:

(1) the request for qualifications process is terminated under section 19 of this chapter; or

(2) the management agreement has been executed and the closing for each financing transaction required to provide funding to carry out the management agreement has been

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conducted.

Sec. 18. (a) The authority may negotiate with one (1) or more offerors who the authority determines are responsible and reasonably capable of managing the lottery and may seek to obtain a final offer from one (1) or more of those offerors.

(b) The authority shall consider the statement of qualifications and the proposals to enter into a management agreement that are submitted in response to a request for qualifications in making a determination under this section, including the following:

(1) The offeror's expertise, qualifications, competence, skills, and plan to perform its obligations under the management agreement in accordance with the management agreement.

(2) The financial strength of the offeror, including its capitalization and available financial resources.

(3) The experience of the offeror in operating government authorized lotteries and gaming and other similar projects and the quality of the offeror's past or present performance on other similar or equivalent engagements.

(4) The integrity, background, and reputation of the offeror.

(c) The requirements set forth in subsection (b) also apply to the approval of any successor manager.

Sec. 19. (a) After the final offers from offerors have been negotiated under section 18 of this chapter, the authority shall, on behalf of the commission:

(1) make a preliminary selection of an offeror as a manager for the lottery; or

(2) terminate the request for qualifications process.

(b) If the authority makes a preliminary selection of a manager under this section, the commission shall schedule a public hearing on the preliminary selection and publish notice of the hearing one (1) time in accordance with IC 5-3-1 at least seven (7) days before the hearing. The notice must include the following:

(1) The date, time, and place of the hearing.

(2) The subject matter of the hearing.

(3) A brief description of the management agreement to be awarded.

(4) The identity of the offeror that has been preliminarily selected as a manager.

(5) The address and telephone number of the commission.

(6) A statement indicating that, subject to section 17 of this chapter, and except for those parts that are confidential under IC 5-14-3, the selected offer and an explanation of the basis

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upon which the preliminary selection was made are available for public inspection and copying at the principal office of the commission during regular business hours.

(c) Subject to section 17 of this chapter, and except for those parts that are confidential under IC 5-14-3, the selected offer and a written explanation of the basis upon which the preliminary selection was made shall be made available for inspection and copying in accordance with IC 5-14-3 at least seven (7) days before the hearing scheduled under this section.

(d) At the hearing, the commission shall allow the public to be heard on the preliminary selection.

Sec. 20. (a) After the hearing required under section 19 of this chapter, the commission shall determine if a management agreement should be entered with the offeror that submitted the selected offer. If the commission makes a favorable determination, the commission shall submit the determination to the governor and the budget committee.

(b) After review of the commission's determination by the budget committee, the governor may accept or reject the determination of the commission. If the governor accepts the commission's determination, the governor shall designate the offeror who submitted the selected offer as a manager for the lottery. The commission shall publish notice of the designation of a manager for the lottery one (1) time in accordance with IC 5-3-1.

(c) After the governor designates a manager, the commission may execute a management agreement with the designated manager.

(d) If the commission enters into a management agreement under this article, the commission must execute the initial management agreement before January 1, 2009.

Sec. 21. A manager may finance its obligations with respect to the lottery and the management agreement in the amounts and upon the terms and conditions determined by the manager. However, any bonds, debt, other securities, or other financing issued for the purposes of this section shall not be considered to constitute a debt of the state or any political subdivision of the state or a pledge of the faith and credit of the state or any political subdivision of the state.

Sec. 22. An action to contest the validity of a management agreement entered into under this chapter:

(1) may not be brought after the fifteenth day following the publication of the notice of the designation of a manager

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under the management agreement as provided in section 20 of this chapter; and

(2) is governed by IC 34-13-5.

Sec. 23. (a) The commission and the authority may exercise any powers provided under this chapter in participation or cooperation with each other or any other governmental entity and enter into any contracts to facilitate that participation or cooperation without compliance with any other statute.

(b) The commission and the authority may make and enter into all contracts and agreements necessary or incidental to the performance of the commission's or the authority's duties under this chapter and the execution of the commission's or the authority's powers under this article. These contracts or agreements are not subject to any approvals by any other governmental entity and may be for any term of years and contain any terms that are considered reasonable by the commission or the authority.

(c) The commission and the authority may make and enter into all contracts and agreements with a state agency necessary or incidental to the performance of the duties and the execution of the powers granted to the commission, the authority, or the state agency in accordance with this chapter or the management agreement. These contracts or agreements are not subject to any approvals by any other governmental entity, and may be for any term of years and contain any terms that are considered reasonable by the commission, the authority, or the state agency.

(d) The commission may pay any amounts owed by the commission under a management agreement from any funds available to the commission under this chapter or any other statute.

(e) The commission may borrow money from the authority to pay any amounts owed by the commission or to reimburse funds made available under this section. The loan agreement or financing agreement must plainly state that it is not an indebtedness of the state but constitutes a corporate obligation solely of the commission and is payable solely from revenues of the commission, including money in the administrative trust fund established by IC 4-30-15-1, and the proceeds of future loan agreements or other financing agreements.

Sec. 23.5. (a) The commission may not sell the authorization to operate the lottery.

(b) Any tangible personal property used exclusively in

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connection with the lottery:

(1) that is owned by the commission and leased to the manager shall be owned by the commission in the name of the state; and

(2) shall be considered to be public property devoted to an essential public and governmental function.

(c) Any bonds, debt, other securities, or other financing issued by the manager to finance its obligations with respect to the management agreement shall not be considered to constitute a debt of the state or any political subdivision of the state or a pledge of the faith and credit of the state or any political subdivision.

Sec. 24. (a) The authority may exercise any of its powers under IC 4-4-11 or any other law as necessary or desirable for the execution of the authority's powers under this chapter. Notwithstanding any provisions in IC 4-4-10.9 or IC 4-4-11, the authority may issue bonds under IC 4-4-11 or any other statute to make a loan to the commission for:

(1) any amounts owed by the commission; or

(2) funds made available by the commission;

under this chapter.

(b) Subject to review by the budget committee and approval by the budget director, a management agreement, a loan agreement, or any other financing agreement entered into under this chapter may establish a procedure for the commission, the authority, or a person acting on behalf of the commission or the authority to certify to the general assembly the amount needed to pay any amounts owed by the commission or the authority under the management agreement, the loan agreement, or any other financing agreement under this chapter.

Sec. 25. Neither this article nor any management agreement entered into under this article prohibits the general assembly from authorizing forms of gambling that are not in direct competition with the lottery.

Sec. 26. (a) The general assembly finds that it is in the interest of the state of Indiana and the bodies corporate and politic established by state law that the general assembly provide means from time to time to fund and finance payment and reimbursement obligations under contracts and other agreements, including a management agreement, loan agreements, and other financing agreements under this chapter.

(b) In addition to its other purposes, the authority shall exist and operate for the purpose of providing means to finance payment

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1 and reimbursement obligations under management agreements,  
 2 loan agreements, and other financing agreements under this  
 3 chapter.

4 SECTION 65. IC 4-30-22 IS ADDED TO THE INDIANA CODE  
 5 AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE  
 6 UPON PASSAGE]:

7 **Chapter 22. Lottery Management Agreement Fund**

8 **Sec. 1.** As used in this chapter, "account" refers to an account  
 9 established within the fund.

10 **Sec. 1.5.** As used in this chapter, "authority" means the Indiana  
 11 finance authority established under IC 4-4-11.

12 **Sec. 2.** As used in this chapter, "fund" refers to the management  
 13 agreement fund established by section 3 of this chapter.

14 **Sec. 3. (a)** The management agreement fund is established to:

15 (1) make distributions required under section 5 of this  
 16 chapter;

17 (2) pay any amounts owed by the authority in connection with  
 18 the execution of a management agreement under IC 4-30-21;  
 19 and

20 (3) reimburse the authority for any expenses incurred by the  
 21 authority in connection with the execution of a management  
 22 agreement under IC 4-30-21.

23 **(b)** The authority shall hold, administer, and manage the fund.

24 **(c)** The fund consists of the following:

25 (1) The initial payment received from a manager under  
 26 IC 4-30-21-12.

27 (2) Appropriations, if any, made by the general assembly.

28 (3) Grants and gifts intended for deposit in the fund.

29 (4) Interest, premiums, gains, or other earnings on the fund.

30 **(d)** The authority shall establish the following separate accounts  
 31 within the fund:

32 (1) The lottery payment account.

33 (2) The administration account.

34 **(e)** Money in the fund shall be deposited, paid, and secured in  
 35 the manner required under IC 4-4-11-32.

36 **(f)** The fund is not part of the state treasury and is considered  
 37 a trust fund for purposes of IC 4-9.1-1-7. Money may not be  
 38 transferred, assigned, or otherwise removed from the fund by the  
 39 state board of finance, the budget agency, or any other state  
 40 agency.

41 **(g)** Money in the fund at the end of a state fiscal year does not  
 42 revert to the state general fund.

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1        **Sec. 4. (a) Before any allocations are made from the fund under**  
 2        **this chapter, the authority shall determine the total amount**  
 3        **necessary to pay the amounts owed by the authority related to the**  
 4        **execution of a management agreement under IC 4-30-21.**

5        **(b) Before making the allocations required by section 5 of this**  
 6        **chapter, the authority shall allocate the amount determined under**  
 7        **subsection (a) to the administration account. Money in the**  
 8        **administration account may be used only for the purpose described**  
 9        **in section 3(a)(2) or 3(a)(3) of this chapter.**

10       **Sec. 5. After making the allocation required under section 4 of**  
 11       **this chapter, the remaining money in the fund shall be allocated to**  
 12       **the lottery payment account. Within thirty (30) days after a**  
 13       **management agreement has been executed under IC 4-30-21 and**  
 14       **the closing for each financing transaction required to provide**  
 15       **funding to carry out the agreement has been conducted, the**  
 16       **authority shall transfer the following from the lottery payment**  
 17       **account:**

18       **(1) To the Hoosier hope scholarship fund established under**  
 19       **IC 21-48-8-1, the lesser of four hundred million dollars**  
 20       **(\$400,000,000) or an amount equal to forty percent (40%) of**  
 21       **the money in the lottery payment account.**

22       **(2) To the Indiana life sciences fund established by**  
 23       **IC 5-28-28-6, the lesser of six hundred million dollars**  
 24       **(\$600,000,000) or an amount equal to sixty percent (60%) of**  
 25       **the money in the lottery payment account.**

26       **(3) To the pension relief fund established by IC 5-10.3-11-1,**  
 27       **the remainder, if any, of the money in the lottery payment**  
 28       **account after making the transfers required by subdivisions**  
 29       **(1) and (2). However, if the remainder of the money in the**  
 30       **lottery payment account after making the transfers required**  
 31       **by subdivisions (1) and (2) exceeds three hundred million**  
 32       **dollars (\$300,000,000), the excess above three hundred million**  
 33       **dollars (\$300,000,000) shall be transferred to the state general**  
 34       **fund.**

35       **SECTION 66. IC 5-10.3-11-1 IS AMENDED TO READ AS**  
 36       **FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 1. There is created**  
 37       **within the public employees' retirement fund a separate account known**  
 38       **as the pension relief fund. This fund is administered by the board of**  
 39       **trustees of the public employees' retirement fund, referred to as the**  
 40       **"state board" in this chapter. The pension relief fund consists of**  
 41       **revenues received under IC 4-30-16-3, IC 6-7-1-28.1(4), IC 7.1-4-12-1,**  
 42       **any appropriations to the fund, and earnings on these revenues.**

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SECTION 67. IC 5-28-28 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]:

**Chapter 28. Indiana Life Sciences Fund**

**Sec. 1.** As used in this chapter, "applicant" means a postsecondary research institution that submits an application for a grant from the fund.

**Sec. 2.** As used in this chapter, "fund" refers to the Indiana life sciences fund established by section 6 of this chapter.

**Sec. 3.** As used in this chapter, "life sciences" refers to research in biotechnology, biomedicine, medical device technology, pharmaceuticals, biomedical engineering, bioenergetics, health care engineering, nanotechnology within the life sciences field, agri-sciences, and other related health disciplines and disciplines considered life sciences.

**Sec. 4.** As used in this chapter, "postsecondary research institution" means a public or private college or university in Indiana that offers life sciences graduate programs or life sciences research programs.

**Sec. 5.** As used in this chapter, "world class scientist" means a principal investigator or researcher who:

- (1) holds an academic appointment;
- (2) has a significant research portfolio and a record of attracting external research support; and
- (3) meets any other criteria established by the board.

**Sec. 6. (a)** The Indiana life sciences fund is established within the state treasury to provide grants to postsecondary research institutions to support the recruitment and retention of world class scientists in Indiana for the following purposes:

- (1) To strengthen Indiana's economy by focusing investment in life sciences economic clusters that foster high skill, high wage jobs.
- (2) To target state investment in university based research and development through various means, including:
  - (A) matching funds for federal or private research grants or gifts;
  - (B) support for endowed research faculty chairs at postsecondary research institutions; and
  - (C) investment in research facilities, laboratories, and specialized equipment that is conducive to the conducting of the highest quality of scholarship and research in life sciences.

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(3) To stimulate the transfer of research and technology into marketable products.

(4) To enter into a collaborative arrangement with the private sector or another public or private educational institution.

(5) To encourage an environment of innovation and cooperation among Indiana public or private educational institutions, state agencies, and private businesses to promote life sciences research and development activity.

(b) The fund consists of the following:

(1) Transfers from the lottery management agreement fund under IC 4-30-22-5(2).

(2) Appropriations from the general assembly.

(3) Grants and gifts intended for deposit in the fund.

(4) Interest or other earnings on the fund.

(c) The corporation shall administer the fund. Subject to appropriation by the general assembly, money in the fund may be used to provide grants to postsecondary research institutions to support the recruitment, retention, and ongoing financial support of world class scientists.

(d) The treasurer of state shall invest the money in the fund not currently needed to meet the obligations of the fund in the same manner as other public money may be invested.

(e) The fund is considered a trust fund for purposes of IC 4-9.1-1-7. Money may not be transferred, assigned, or otherwise removed from the fund by the state board of finance, the budget agency, or any other state agency.

(f) Money remaining in the fund at the end of a state fiscal year does not revert to the state general fund.

(g) All expenditures from the fund are subject to appropriation by the general assembly.

Sec. 7. (a) A postsecondary research institution may apply for one (1) or more grants from the fund.

(b) An application requesting a grant from the fund must be targeted to one (1) or more of the purposes listed in section 6 of this chapter.

(c) A successful applicant for a grant from the fund must meet the requirements of this section, be awarded a grant by the board, and be approved by the budget agency under section 8 of this chapter. An application for a grant from the fund must be made on an application form prescribed by the board. An applicant shall provide all information that the board finds necessary to make the determinations required by this chapter.

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(d) All applications for a grant from the fund must include the following:

(1) A fully elaborated technical research plan that is appropriate for review by outside experts as provided in this chapter.

(2) A detailed financial analysis that includes the commitment of resources by any other entities that will be involved in the research project.

(3) A statement of the scientific and commercial potential of the research project.

(4) A statement of the manner in which support from the fund will lead to significantly increased funding from federal or private sources or from private sector research partners.

(5) The profile and obligations of the world class scientist that the applicant is seeking to recruit or retain.

(6) Any other information that the board considers appropriate.

(e) An applicant for a grant from the fund may request that certain information that is submitted by the applicant be kept confidential. The board shall make a determination of confidentiality as soon as is practicable. If the board determines that the information should not be kept confidential, the applicant may withdraw the application, and the board must return the information before making it part of any public record.

Sec. 8. (a) The board has the following powers:

(1) To accept and analyze applications under this chapter.

(2) To award grants to applicants, subject to review by the budget committee and approval by the budget agency.

(3) Subject to appropriation by the general assembly, to contract with experts for advice and counsel.

(4) Subject to appropriation by the general assembly, to employ staff to assist in carrying out this chapter, including providing assistance to applicants who wish to apply for a grant from the fund, analyzing proposals, working with experts engaged by the board, and preparing reports and recommendations for the board.

(b) The board shall consider the following factors in making determinations concerning the award of a grant under this chapter:

(1) The scientific merit of the proposed research.

(2) The predicted future success of governmental or private funding for the proposed research.

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(3) The ability of the world class scientist identified in the proposal to generate matching funds and funds for additional research.

(4) The extent to which the proposal evidences collaboration among two (2) or more postsecondary research institutions, as well as cost sharing and partnership support from the private sector.

(5) The extent to which the proposal will affect the state's ability to attract external financial support, create jobs, attract and retain businesses, or expand technology transfer opportunities in life sciences.

(6) The recommendations from the peer review panel that reviews the proposal. The peer review panel shall be chosen by and report to the board. In determining the composition and duties of a peer review panel, the board shall consider the National Institutes of Health and the National Science Foundation peer review processes as models. The members of the panel must have extensive experience in federal research funding. A panel member may not have a relationship with any private entity or academic institution in Indiana that would constitute a conflict of interest for the panel member. A grant from the fund may not be approved by the board unless the grant proposal has received a positive recommendation from a peer review panel described in this subdivision.

(c) The board shall make final funding determinations, subject to review by the budget committee and approval by the budget agency, for applications for grants from the fund in a timely manner that is responsive to recruiting world class scientists.

(d) As a condition of accepting a grant under this chapter, an applicant shall enter into a memorandum of understanding with the board and the budget agency regarding the expenditure of grant funds.

(e) The board shall annually report to the legislative council, in an electronic format under IC 5-14-6, information concerning the amounts, recipients, and subject matters of grants awarded by the board under this chapter.

SECTION 68. IC 6-3-2-21 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 21. (a) As used in this section, "scholarship" has the meaning set forth in IC 21-48-1-11.

(b) As used in this section, "recipient" has the meaning set forth

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1 in IC 21-48-1-10.

2 (c) The amount of a recipient's obligation to repay a Hoosier  
3 hope grant that is deferred or waived in a particular taxable year  
4 under IC 21-48-7 is exempt from the adjusted gross income tax  
5 imposed by IC 6-3-1 through IC 6-3-7 as income of the recipient.

6 SECTION 69. IC 21-48 IS ADDED TO THE INDIANA CODE AS  
7 A NEW ARTICLE TO READ AS FOLLOWS [EFFECTIVE UPON  
8 PASSAGE]:

9 **ARTICLE 48. HOOSIER HOPE SCHOLARSHIPS AND**  
10 **CRITICAL NEEDS SCHOLARSHIPS**

11 **Chapter 1. Definitions**

12 **Sec. 1. The definitions in this chapter apply throughout this**  
13 **article.**

14 **Sec. 2. "Academic year" has the meaning set forth in**  
15 **IC 20-12-21-3(1).**

16 **Sec. 3. "Authority" means the Indiana finance authority**  
17 **established under IC 4-4-11.**

18 **Sec. 4. "Commission" means the state student assistance**  
19 **commission established by IC 20-12-21-4.**

20 **Sec. 5. "Eligible institution of higher learning" means:**

21 (1) a state educational institution (as defined in  
22 IC 20-12-0.5-1); or

23 (2) a private institution of higher education (as defined in  
24 IC 20-12-63-3).

25 **Sec. 6. "Full-time student" means an individual enrolled in an**  
26 **eligible institution of higher learning for at least twelve (12)**  
27 **semester credit hours in each enrollment period of an academic**  
28 **year at a semester based institution, or an equivalent number of**  
29 **hours at an institution using a different grading period.**

30 **Sec. 7. "Fund" means the Hoosier hope scholarship fund**  
31 **established by IC 21-48-8-1.**

32 **Sec. 8. "Hoosier hope scholar" means an applicant who has been**  
33 **accepted into the Hoosier hope scholars program.**

34 **Sec. 9. "Qualified employment" means full-time employment**  
35 **within Indiana as determined under criteria developed by the**  
36 **commission in cooperation with the department of state revenue**  
37 **and the department of workforce development.**

38 **Sec. 10. "Recipient" means:**

39 (1) a Hoosier hope scholar who is awarded a Hoosier hope  
40 scholarship under IC 21-48-2; or

41 (2) a student who is awarded a:

42 (A) a critical needs nursing faculty scholarship under

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1 IC 21-48-4;

2 (B) a critical needs math and science teacher scholarship  
3 under IC 21-48-5; or

4 (C) an additional critical employment needs scholarship  
5 under IC 21-48-6.

6 Sec. 11. "Scholarship" means a scholarship that is:

7 (1) awarded under:

8 (A) the Hoosier hope scholars program under IC 21-48-2;  
9 or

10 (B) the critical employment needs program under  
11 IC 21-48-3, including:

12 (i) a critical needs nursing faculty scholarship under  
13 IC 21-48-4;

14 (ii) a critical needs math and science teacher scholarship  
15 under IC 21-48-5; or

16 (iii) an additional critical employment needs scholarship  
17 under IC 21-48-6; and

18 (2) subject to repayment if the recipient does not meet the  
19 requirements of this article, including:

20 (A) degree completion;

21 (B) postgraduation employment and residency; and

22 (C) other requirements specified by the commission when  
23 awarding a scholarship.

24 **Chapter 2. Hoosier Hope Scholars Program**

25 Sec. 1. As used in this chapter, "applicant" means a student in  
26 grade 12 who applies for acceptance into the Hoosier hope scholars  
27 program.

28 Sec. 2. (a) The Hoosier hope scholars program is established.

29 (b) The commission shall administer the Hoosier hope scholars  
30 program.

31 Sec. 3. (a) To be accepted into the Hoosier hope scholars  
32 program, an applicant must:

33 (1) be a resident of Indiana as determined by the commission;

34 (2) be enrolled in grade 12 or its equivalent at:

35 (A) a public or nonpublic accredited school in Indiana; or

36 (B) a nonaccredited nonpublic school in Indiana;

37 (3) be recommended by the student's school corporation of  
38 legal settlement if the student is enrolled in a public high  
39 school, or qualify as an outstanding scholar under criteria  
40 established by the commission if the applicant is enrolled in a  
41 nonpublic school;

42 (4) intend to pursue a course of study at an eligible institution

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of higher learning that will lead to a baccalaureate or associate degree;

(5) intend to reside in Indiana and maintain qualified employment for at least two (2) consecutive years following the attainment of an associate degree or at least four (4) consecutive years following the attainment of a baccalaureate degree;

(6) submit an application to the commission in the form and manner required by the commission; and

(7) fulfill any other requirements established by the commission.

(b) Each school corporation in Indiana may recommend one (1) or more students for acceptance into the Hoosier hope scholars program based on the student's level of academic achievement under guidelines developed by the commission. The guidelines must include SAT or ACT scores and cumulative high school grade point averages, if available.

(c) This subsection applies to school corporations. The commission shall determine the maximum number of students that a school corporation may recommend in a year to receive an initial scholarship based on the senior class enrollment in each high school in the school corporation. The maximum number determined by the commission must be at least the following:

(1) One (1) scholarship if the senior class enrollment in the high school is not more than one hundred (100) students.

(2) Two (2) scholarships if the senior class enrollment in the high school is more than one hundred (100) and not more than two hundred (200) students.

(3) Three (3) scholarships if the senior class enrollment in the high school is more than two hundred (200) and not more than three hundred (300) students.

(4) Four (4) scholarships if the senior class enrollment in the high school is more than three hundred (300) and not more than four hundred (400) students.

(5) Five scholarships if the senior class enrollment in the high school is more than four hundred (400) students.

(d) This subsection applies to nonpublic schools. The commission shall establish guidelines for determining:

(1) whether an applicant enrolled in a nonpublic school is an outstanding scholar, based on the applicant's level of academic achievement; and

(2) the maximum number of scholarships to be awarded to

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1 students attending each nonpublic school.  
 2 The guidelines must include SAT or ACT scores and cumulative  
 3 high school grade point averages, if available.

4 Sec. 4. An applicant is eligible to receive an initial scholarship  
 5 in an amount determined under section 6 of this chapter if the  
 6 applicant:

7 (1) enrolls as a full-time student in a baccalaureate or  
 8 associate degree program at an eligible institution of higher  
 9 learning in the academic year immediately following the  
 10 scholar's high school graduation; and

11 (2) agrees in writing on a form developed by the commission  
 12 to reside in Indiana and maintain qualified employment for at  
 13 least two (2) consecutive years following the attainment of an  
 14 associate degree or at least four (4) consecutive years  
 15 following the attainment of a baccalaureate degree.

16 Sec. 5. A scholarship must be renewed each academic year  
 17 under procedures developed by the commission. To qualify for a  
 18 scholarship renewal under this section, a recipient must:

19 (1) remain enrolled as a full-time student in a baccalaureate  
 20 or associate degree program at an eligible institution of higher  
 21 learning;

22 (2) maintain satisfactory progress, as determined by the  
 23 commission, toward a baccalaureate or associate degree; and

24 (3) maintain a cumulative grade point average of:

25 (A) at least 3.0 on a 4.0 grading scale; or

26 (B) an equivalent average as determined by the recipient's  
 27 eligible institution of higher learning.

28 Sec. 6. (a) The commission shall determine the amount of each  
 29 scholarship awarded under this chapter.

30 (b) Subject to section 9 of this chapter, a Hoosier hope scholar  
 31 enrolled in an associate degree program at an eligible institution of  
 32 higher learning may be awarded a scholarship in an amount of up  
 33 to two thousand five hundred dollars (\$2,500) per academic year  
 34 for not more than three (3) consecutive academic years. The total  
 35 amount awarded to an individual recipient under this subsection  
 36 for all academic years may not exceed five thousand dollars  
 37 (\$5,000).

38 (c) Subject to section 9 of this chapter, a Hoosier hope scholar  
 39 enrolled in a baccalaureate degree program at an eligible  
 40 institution of higher learning may be awarded a scholarship in an  
 41 amount of up to five thousand dollars (\$5,000) per academic year  
 42 for not more than the normal time for completion of the degree, as

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determined by the commission, plus one (1) year. The total amount awarded to an individual recipient under this subsection for all academic years may not exceed twenty thousand dollars (\$20,000).

(d) Subject to section 9 of this chapter and subsection (g), a Hoosier hope scholar who:

(1) completes or transfers from an associate degree program at an eligible institution of higher learning; and

(2) enrolls in a baccalaureate degree program during the next academic year at an eligible institution of higher learning; may be awarded up to five thousand dollars (\$5,000) per academic year for not more than two (2) consecutive years that the scholar is enrolled in the baccalaureate degree program and eligible to renew a scholarship under this chapter.

(e) The amount of a Hoosier hope scholarship awarded to a recipient in a year may not exceed the cost of attendance at the eligible institution of higher learning where the recipient is enrolled, minus the amount of any other scholarships that the recipient has been awarded.

(f) The amount of any other state financial aid received by a recipient may not be reduced because the recipient receives a Hoosier hope scholarship.

(g) Subject to section 9 of this chapter, the total amount awarded to a Hoosier hope scholar under this chapter may not exceed twenty thousand dollars (\$20,000).

(h) A scholarship awarded under this chapter shall be paid directly by the commission to the eligible institution of higher learning.

Sec. 7. A scholarship may be used by a recipient at any eligible institution of higher learning to defray any qualified higher education expenses (as defined in IC 21-9-2-19.5).

Sec. 8. The commission shall determine the number of scholarships available in an academic year based on appropriations made by the general assembly for this purpose.

Sec. 9. The commission may periodically adjust the maximum amount of individual scholarships under this chapter after review by the budget committee to reflect increased tuition costs at state educational institutions.

### Chapter 3. Critical Employment Needs Program

Sec. 1. (a) The critical employment needs program is established.

(b) The commission shall administer the critical employment needs program.

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1        **Sec. 2. The commission shall award the following scholarships**  
 2        **under the critical employment needs program:**

- 3            (1) critical needs nursing faculty scholarships under  
 4            IC 21-48-4;  
 5            (2) critical needs math and science teacher scholarships under  
 6            IC 21-48-5; and  
 7            (3) additional critical employment needs scholarships under  
 8            IC 21-48-6.

9        **Chapter 4. Critical Needs Nursing Faculty Scholarships**

10       **Sec. 1. The critical needs nursing faculty scholarship program**  
 11       **is established to encourage nursing instruction at eligible**  
 12       **institutions of higher learning.**

13       **Sec. 2. To initially qualify for a scholarship from the fund, a**  
 14       **student must:**

- 15            (1) be enrolled in a master's or doctoral degree program at an  
 16            eligible institution of higher learning;  
 17            (2) be pursuing a course of study that would enable the  
 18            student, upon graduation, to teach nursing at an eligible  
 19            institution of higher learning; and  
 20            (3) agree in writing on a form developed by the commission to  
 21            reside in Indiana and teach nursing at an eligible institution  
 22            of higher learning for at least three (3) consecutive years  
 23            following the attainment of a master's or doctoral degree.

24       **Sec. 3. A scholarship must be renewed each academic year**  
 25       **under procedures developed by the commission. To qualify for a**  
 26       **scholarship renewal under this section, a recipient must:**

- 27            (1) comply with the criteria set forth in section 2 of this  
 28            chapter;  
 29            (2) maintain satisfactory progress, as determined by the  
 30            commission, toward a master's or a doctoral degree; and  
 31            (3) maintain a cumulative grade point average of:  
 32                (A) at least 3.0 on a 4.0 grading scale; or  
 33                (B) an equivalent average as determined by the recipient's  
 34                eligible institution of higher learning.

35       **Sec. 4. (a) The commission shall determine the amount of each**  
 36       **scholarship awarded under this chapter.**

37       **(b) A recipient may be awarded a scholarship in an amount of**  
 38       **up to five thousand dollars (\$5,000) per academic year in not more**  
 39       **than the normal time for completion of the degree, as determined**  
 40       **by the commission, plus one (1) year. The total amount of the**  
 41       **scholarships awarded to an individual recipient under this**  
 42       **subsection for all academic years may not exceed ten thousand**

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dollars (\$10,000).

(c) The amount of a scholarship awarded under this chapter may not exceed the cost of attendance at the eligible institution of higher learning where the recipient is enrolled, minus the amount of any other scholarships that the recipient has been awarded.

(d) The amount of any other state financial aid received by a recipient may not be reduced because the recipient is awarded a scholarship under this chapter.

(e) A scholarship awarded under this chapter shall be paid directly by the commission to the eligible institution of higher learning.

Sec. 5. A scholarship may be used by a recipient at any eligible institution of higher learning to defray any qualified higher education expenses (as defined in IC 21-9-2-19.5).

Sec. 6. The commission shall determine the number of scholarships available in an academic year based on appropriations made by the general assembly for this purpose.

Sec. 7. This chapter expires July 1, 2012.

#### Chapter 5. Critical Needs Math and Science Teacher Scholarships

Sec. 1. The critical needs math and science teacher scholarship program is established.

Sec. 2. To initially qualify for a scholarship from the fund, a student must:

(1) be enrolled as a full-time student pursuing a math or science major in a baccalaureate degree program at an eligible institution of higher learning; and

(2) agree in writing on a form developed by the commission to reside in Indiana and teach math or science courses at a school corporation in Indiana:

(A) with a complexity index of 1.2 or higher as determined by the department of education; or

(B) that has a disproportionately high at-risk enrollment, as determined by the department of education, if the complexity index is not available or is no longer calculated; for at least four (4) consecutive years following the attainment of a baccalaureate degree.

Sec. 3. A scholarship must be renewed each academic year under procedures developed by the commission. To qualify for a scholarship renewal under this section, a recipient must:

(1) comply with the criteria set forth in section 2 of this chapter;

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(2) maintain satisfactory progress, as determined by the commission, toward a baccalaureate degree; and

(3) maintain a cumulative grade point average of:

(A) at least 3.0 on a 4.0 grading scale; or

(B) an equivalent average as determined by the recipient's eligible institution of higher learning.

**Sec. 4. (a) The commission shall determine the amount of each scholarship awarded under this chapter.**

(b) A recipient may be awarded a scholarship in an amount of up to five thousand dollars (\$5,000) per academic year in not more than the normal time for completion of the degree, as determined by the commission, plus one (1) year. The total amount of the scholarships awarded to an individual recipient under this subsection for all academic years may not exceed twenty thousand dollars (\$20,000).

(c) The amount of a scholarship awarded under this chapter may not exceed the cost of attendance at the eligible institution of higher learning where the recipient is enrolled, minus the amount of any other scholarships that the recipient has been awarded.

(d) The amount of any other state financial aid received by a recipient may not be reduced because the recipient is awarded a scholarship under this chapter.

(e) A scholarship awarded under this chapter shall be paid directly by the commission to the eligible institution of higher learning.

**Sec. 5. A scholarship may be used by a recipient at any eligible institution of higher learning to defray any qualified higher education expenses (as defined in IC 21-9-2-19.5).**

**Sec. 6. The commission shall determine the number of scholarships available in an academic year based on appropriations made by the general assembly for this purpose.**

**Sec. 7. This chapter expires July 1, 2012.**

**Chapter 6. Additional Critical Employment Needs Scholarships**

**Sec. 1. The additional critical employment needs scholarship program is established.**

**Sec. 2. (a) The Indiana economic development corporation and the department of workforce development shall determine if scholarship programs in addition to the critical needs nursing faculty scholarship program under IC 21-48-4 and the critical needs math and science teacher scholarship program under IC 21-48-5 should be established to increase employment in occupations for which there is a critical need in Indiana.**

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(b) If the Indiana economic development corporation and the department of workforce development determine that scholarships should be awarded under this chapter, the Indiana economic development corporation and the department of workforce development shall submit the proposed scholarship program to the commission and the budget committee for review. After review by the budget committee and approval by the budget agency, the commission may implement the proposed scholarship program.

Sec. 3. To initially qualify for a scholarship from the fund, a student must:

- (1) be enrolled as a full-time student in a baccalaureate degree program at an eligible institution of higher learning;
- (2) be pursuing a course of study that would enable the student, upon graduation, to be employed in an occupation for which the commission and the department have determined there is a critical need in Indiana; and
- (3) agree in writing on a form developed by the commission to reside in Indiana and be employed in the occupation for at least four (4) consecutive years following the attainment of a baccalaureate degree.

Sec. 4. A scholarship must be renewed each academic year under procedures developed by the commission. To qualify for a scholarship renewal under this section, a recipient must:

- (1) comply with the criteria set forth in section 3 of this chapter;
- (2) maintain satisfactory progress, as determined by the commission, toward a baccalaureate degree; and
- (3) maintain a cumulative grade point average of:
  - (A) at least 3.0 on a 4.0 grading scale; or
  - (B) an equivalent average as determined by the recipient's eligible institution of higher learning.

Sec. 5. (a) The commission shall determine the amount of each scholarship awarded under this chapter.

(b) A recipient may be awarded a scholarship in an amount of up to five thousand dollars (\$5,000) per academic year in not more than the normal time for completion of the degree, as determined by the commission, plus one (1) year. The total amount of the scholarships awarded to an individual recipient under this subsection for all academic years may not exceed twenty thousand dollars (\$20,000).

(c) The amount of a scholarship awarded under this chapter may not exceed the cost of attendance at the eligible institution of

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higher learning where the recipient is enrolled, minus the amount of any other scholarships that the recipient has been awarded.

(d) The amount of any other state financial aid received by a recipient may not be reduced because the recipient is awarded a scholarship under this chapter.

(e) A scholarship awarded under this chapter shall be paid directly by the commission to the eligible institution of higher learning.

Sec. 6. A scholarship may be used by a recipient at any eligible institution of higher learning to defray any qualified higher education expenses (as defined in IC 21-9-2-19.5).

Sec. 7. The commission shall determine the number of scholarships available in an academic year based on appropriations made by the general assembly for this purpose.

Sec. 8. This chapter expires July 1, 2012.

#### Chapter 7. Employment Requirements

Sec. 1. As used in this chapter, "qualified employment" means the postgraduate employment requirement accepted by a recipient in writing as a condition of receiving a scholarship under this article.

Sec. 2. (a) Except as otherwise provided in this chapter, a recipient shall repay the commission for the total amount of a scholarship received by the recipient under this article if the recipient does not:

- (1) complete an associate degree, postgraduate degree, or baccalaureate degree within the normal time for completion of the degree, as determined by the commission, plus one (1) year; and
- (2) reside in Indiana upon graduation and maintain qualified employment as required under the terms of the scholarship awarded to the recipient.

(b) For purposes of this chapter, the repayment period begins when a recipient:

- (1) is no longer enrolled in a degree program at an eligible institution of higher learning and has not attained a degree;
- (2) has attained a degree but has not made a good faith effort to comply with the recipient's written commitment to reside in Indiana and maintain qualified employment; or
- (3) has been granted a deferment from the repayment obligation by the commission and has not made a good faith effort to comply with the recipient's written commitment to reside in Indiana and maintain qualified employment upon

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the termination of the deferral period.

(c) Except as otherwise provided in this chapter, repayment shall be made to the commission within ten (10) years after the repayment period begins and shall follow a repayment schedule established by the commission.

(d) A recipient who is required to repay a scholarship awarded under this article shall be charged interest at a rate determined by the commission. The interest rate charged under this section may not exceed the maximum interest rate for federal financial aid in effect at the time repayment is due.

(e) The commission may enter into contracts with one (1) or more vendors to assist in collecting any repayment amounts owed under this article.

(f) Amounts collected under this section shall be deposited in the fund.

**Sec. 3. (a)** The commission may waive or defer repayment in the event of disability, illness, or other extenuating circumstances, as determined by the commission, that prevent the recipient from attaining a degree in the time required under section 2 of this chapter or fulfilling the postgraduate employment requirements under this article.

(b) The commission shall grant a deferment from repayment to:

- (1) a recipient who is assigned military duty;
- (2) a recipient whose spouse is assigned military duty; and
- (3) a recipient who has attained the degree for which the scholarship was awarded but is pursuing post-graduate studies at an Indiana institution of higher learning or an out-of-state institution of higher learning.

(c) In determining the length of a deferment period granted under this section, the commission shall consider each recipient's individual circumstances and ability to comply with the recipient's written commitment. Deferments shall be granted in twelve (12) month increments but may not exceed a total of sixty (60) consecutive months.

(d) A recipient who is seeking a waiver or deferment from the repayment obligation under this section shall demonstrate compliance with the postgraduation employment requirements by submitting a letter from the recipient's employer to the commission, along with any other documentation required by the commission, under procedures developed by the commission. The commission may request assistance from the department of state revenue and the department of workforce development in order to

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1 verify that the recipient has complied with the postgraduation  
2 employment requirements.

3 Sec. 4. As provided in IC 6-3-2-21, the amount of a repayment  
4 that is waived or deferred under this chapter is exempt from  
5 taxation under IC 6-3-1 through IC 6-3-7.

6 Chapter 8. Hoosier Hope Scholarship Fund

7 Sec. 1. (a) The Hoosier hope scholarship fund is established  
8 within the state treasury to provide scholarships to applicants who  
9 qualify under this article.

10 (b) The fund consists of:

11 (1) Amounts transferred from the lottery management  
12 agreement fund under IC 4-30-21.

13 (2) Appropriations from the general assembly.

14 (3) Grants and gifts intended for deposit in the fund.

15 (4) Interest or other earnings on the fund.

16 (5) Grant repayments or forfeitures under this article.

17 (c) The commission shall administer the fund. Subject to  
18 appropriation by the general assembly, money in the fund may be  
19 used to provide scholarships to applicants who qualify under this  
20 article.

21 (d) The treasurer of state shall invest the money in the fund not  
22 currently needed to meet the obligations of the fund in the same  
23 manner as other public money may be invested.

24 (e) The fund is considered a trust fund for purposes of  
25 IC 4-9.1-1-7. Money may not be transferred, assigned, or otherwise  
26 removed from the fund by the state board of finance, the budget  
27 agency, or any other state agency.

28 (f) Money remaining in the fund at the end of a state fiscal year  
29 does not revert to the state general fund.

30 (g) All expenditures from the fund are subject to appropriation  
31 by the general assembly.

32 SECTION 70. IC 4-30-11-9 IS REPEALED [EFFECTIVE UPON  
33 PASSAGE].

34 SECTION 71. [EFFECTIVE UPON PASSAGE] Notwithstanding  
35 IC 4-30-8.5, as added by this act, an unlicensed vendor that:

36 (1) is awarded a major procurement contract by the  
37 commission before the effective date of a management  
38 agreement; and

39 (2) submits an application for a vendor's license;  
40 may continue to furnish goods or services for the lottery for not  
41 more than one hundred eighty (180) days after the effective date of  
42 the management agreement.

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1       SECTION 72. [EFFECTIVE UPON PASSAGE] (a) The definitions  
2 set forth in IC 4-30-21, as added by this act, apply to this  
3 SECTION.

4       (b) If the state lottery commission enters into a management  
5 agreement under IC 4-30-21, as added by this act, the Indiana  
6 gaming commission shall adopt temporary rules to implement this  
7 act in the manner provided for the adoption of emergency rules  
8 under IC 4-22-2-37.1.

9       (c) A temporary rule adopted under this SECTION expires on  
10 the earliest of the following:

11       (1) The date that another temporary rule adopted under this  
12 SECTION supersedes or repeals the previously adopted  
13 temporary rule.

14       (2) The date that a permanent rule adopted under IC 4-22-2  
15 supersedes or repeals the temporary rule.

16       (3) The date specified in the temporary rule.

17       SECTION 73. [EFFECTIVE UPON PASSAGE] The provisions of  
18 this act are severable in the manner provided by IC 1-1-1-8(b).

19       SECTION 74. [EFFECTIVE UPON PASSAGE] (a) The definitions  
20 set forth in IC 4-30-21 apply to this SECTION.

21       (b) Actions taken with respect to:

22       (1) the issuance of a request for qualifications; and

23       (2) the determination of responsible and eligible offerors;

24 for a management agreement before the effective date of this act  
25 that would have been valid under IC 4-30-21, as added by this act,  
26 are legalized and validated.

27       SECTION 75. An emergency is declared for this act.

28       Renumber all SECTIONS consecutively.

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SENATE MOTION

Madam President: I move that Senator Kenley be added as second author of Senate Bill 577.

MERRITT

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COMMITTEE REPORT

Madam President: The Senate Committee on Tax and Fiscal Policy, to which was referred Senate Bill No. 577, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill be AMENDED as follows:

Delete everything after the enacting clause and insert the following:

(SEE TEXT OF BILL)

and when so amended that said bill do pass.

(Reference is to SB 577 as introduced.)

KENLEY, Chairperson

Committee Vote: Yeas 7, Nays 5.

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